

REVENUE BUSINESS CASE

Heat Networks Delivery Partner Approach



EXECUTIVE SUMMARY

This business case relates to the expansion of low carbon heat network infrastructure on a zonal scale to achieve the City's commitments to carbon reduction, but also achieve a range of other outcomes including improvements in air quality, energy security, fuel poverty, green investment, jobs and skills.

Plymouth City Council was selected by the Department of Energy Security & Net Zero (DESNZ) as one of 28 cities to be part of the government's Heat Network Zoning Pilot Programme and subsequently, Plymouth was shortlisted under DESNZ's 'Advanced Zoning Programme' (AZP). Through these programmes, the Council has benefited from significant government investment and support in order to deliver strategic heat networks for the city. Heat networks provide the cheapest low carbon energy source available, utilising and distributing waste heat that is already available as a by-product of certain processes.

The initial phase of the heat network could generate savings of 11,000tCO₂ per annum. With roll out this could be more than 30,000tCO₂ per annum.

Cabinet endorsed the zonal approach to heat network roll out in Plymouth on 09 September 2024 (minute 33) including using a Plymouth City Council led procurement and an application to the Governments' Green Heat Network Fund grant programme. This was also supported by Natural Infrastructure and Growth Scrutiny Panel on October 2024.

On 09 September 2024, Cabinet also granted delegated authority to the Service Director for Strategic Planning & Infrastructure, in consultation with Cabinet Member for Environment & Climate Change, to determine the following matters in respect of the heat network delivery project:

- (a) Approval of revenue business case;
- (b) Procurement of a development partner;
- (c) Submission of an application to the Green Heat Network Fund to support the delivery of the first phase of the project; and
- (d) Any other matter to secure delivery of the project, subject to such being within approved budget.

This Business Case seeks approval to launch a procurement of a heat network development partner, on the basis of a Golden Share delivery model. This has been identified as the preferred model due to maximisation of oversight/control, while minimising risks to Plymouth City Council. Plymouth City Council will provide a list of relevant Council buildings for connection to the heat network subject to commercial terms on heat tariff and connection costs, dedicate in principle, relevant Plymouth City Council assets, should the Development Partner require them, subject to subsidy control and subsequent agreement of commercial terms. This includes identifying further potential energy centre locations on Plymouth City Council land for use by the selected Development Partner, subject to subsidy control and subsequent agreement of commercial terms, and undertaking to enter into a Pre-emption Agreement with the Cattedown Regeneration Ltd (with the right to assign to the selected Development Partner) on land for an Energy Centre at Neptune Park for an agreed fee of £15,000, included in the revenue costs listed below.

Revenue costs which the City Council will need to cover to support (alongside available Government DESNZ funding) are estimated to be £164k. This figure includes costs for: procurement, developing a communications and engagement strategy, entering into a Pre-emptive Agreement for land, legal costs and strategic advice. Funding has already been secured to cover this, from S106 contributions (Crescent Point), as follows: £64k, BEIS £68k and EU HeatNet £32k, all of which is specifically ring-fenced for heat networks and cannot be used for any other purpose. These are currently considered to be sufficient to cover the support needed up to appointment of a development partner. The risk of any additional revenue costs being identified over and above this is considered to be very unlikely, and should this arise, would need to be secured from other agreed sources such as DESNZ or from the SP&I budget, by prior agreement from the Service Director for SP&I and Finance.

The proposed revenue funding arrangements (£164,000) are:

Funding Source	£	Secured
S106	64,000	Yes
EU Interreg	32,000	Yes
BEIS	68,000	Yes
Total	164,000	

There are a number of key risks. These include failure to attract a private sector partner, although it is considered that this is relatively low, a risk of not securing grant funding, through a competitive process, although the application will closely reflect the grant criteria and those schemes recently awarded. The risk of lack of commitment by potential heat network customers has and can be mitigated by ongoing engagement to ensure they are supportive and fully understand the benefits.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£164,000	Contingency (show as £ and % of project value)	n/a
Programme	Low Carbon	Directorate	Place
Portfolio Holder	Cllr Tom Briars-Delve Environment & Climate Change	Service Director	Paul Barnard (Strategic Planning & Infrastructure)
Senior Responsible Officer (client)	John Green	Project Manager	Jon Selman
Address and Post Code	Ballard House, West Hoe Road, PL1 3BJ	Ward	Citywide

Current Situation: *(Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)*

Heat represents the biggest energy use in the UK, accounts for 46% of all the energy used, and around 30% of UK carbon emissions. 90% of these heat related emissions are from burning gas. Providing heating and hot water to buildings constitutes **28% of Plymouth's carbon emissions**. To reach Net Zero by 2050, Climate Change Committee sets out that the sector needs to be almost completely decarbonised. It is however, one of the hardest sectors to decarbonise, due to the variety of building stock, different ownerships and extent of engagement required.

To date progress to decarbonise this sector this has been very slow indeed. 'Plymouth's greenhouse gas reporting and sector emissions monitoring and projections 2022' (University of Exeter) estimates that to achieve Net Zero 72,000 heat pump installations are needed by 2030 (as one of the primary technologies) – which requires the installation of an additional 8,977 heat pumps annually. To date EPCs data suggests the installation of only 180 heat pumps in Plymouth to 2022.

Heat networks provide an opportunity to accelerate progress significantly by providing an ‘at scale’ approach, utilising waste heat that will otherwise only contribute further to global warming. As well as decarbonisation, benefits include improved air quality, mitigation of fuel poverty, resilience of supply and generation of green skills and jobs.

This proposal also aligns strongly with the Corporate Plan priority green investment, jobs and skills and Plymouth Plan Policy GRO7 specifically sets out ‘promoting the creation of infrastructure to supply low carbon heat through the delivery and expansion of district energy networks’. Heat networks has been identified in every Climate Emergency Action Plan and Net Zero Action Plan (NZAP) between 2020 and 2024.

The Net Zero Action Plan (NZAP) sets out the role of heat networks in decarbonisation of Plymouth including *BHP10 – Low carbon energy infrastructure development*:

“Our goal for 2024 to 2027 is for 7,500 MWh/a of heat supplied by new carbon heat networks in Plymouth by the end of 2025/26.”

There are also actions within 2024 to 2027 as follows:

- *Develop a strategic heat network delivery programme for the city, including the city centre/waterfront and Derriford areas, including the procurement of a delivery partner, aided through participation in the Government’s Advance Zoning Programme.*
- *Deliver heat network cluster at the Guildhall and Civic Centre, supplying the Theatre Royal, Combined Courts and Civic Centre Redevelopment with low carbon heat.*

Plymouth Economic Strategy (draft) (March 2024) targets inward investment and growth activity from businesses linked to Net Zero opportunities, including specifically heat networks.

Plymouth City Council have been developing the conditions and opportunity for a city-wide network for a number of years including through its Plymouth and South West Devon Joint Local Plan (March 2019) which requires developments to connect, or be able to connect, to a heat network, if within a ‘district energy opportunity area’, but also by installing enabling infrastructure in Millbay Boulevard, decarbonising its small existing heat network at the Guildhall, developing a catalyst scheme around Civic Centre and future-proofing its Ballard House for connection.

Nationally, the Department for Energy Security and Net Zero (DESNZ) are enabling the development of heat network infrastructure through a range of targeted funding, policy and legislative support to de-risk projects and attract investment.

A key market enabling action is the Government’s Heat Network Zoning policy in England, in which central and local government work together with industry and local stakeholders to identify and designate areas where heat networks are expected to be the lowest cost solution for decarbonising heat. The primary legislation (Energy Act 2023) already gives Government powers to introduce heat network zoning legislation. DESNZ are aiming to introduce heat network zoning from 2025 and have instigated the Advanced Zoning Programme (AZP) to develop zonal proposals based on likely zone delivery area.

Alongside the zoning legislation, consumer protection regulations (Ofgem) and minimum technical standards (HNTAS) for heat networks will also provide the confidence to customers that they are getting a fair price of heat and a level of service expected for heating systems.

Plymouth City Council were initially part of the Department of Energy Security & Net Zero (DESNZ) Heat Network Zoning Pilot Programme. This pilot identified two preliminary zones, one being the city centre and another being in Derriford to the North of the City.

Following this initial study, Plymouth was shortlisted by DESNZ through its Advanced Zoning Programme (AZP) along with 16 other cities (total of 19 locations). Plymouth AZP studies show a deliverable scheme that spans the City Centre to Devonport and Barne Barton with capital value of approximately £300m. Derriford is also recognised within the HNZ Pilot Programme as an

opportunity area (an additional £50m). The Plymouth waterfront zonal opportunity is based principally around two large waste heat sources: the South West Water Central Plant, and the MVV Energy from Waste plant. At Derriford, the scheme is focused on waste heat from the NHS medical waste incinerator, together with expanding the existing ground source scheme at Marjons University to provide heating and cooling across this area.

The AZP approach is intended to enable the construction of new zonal scale heat networks as quickly as possible following the introduction of heat network zoning legislation. The work being undertaken by AZP will avoid a lag in activity between policy coming into effect and the deployment of heat network development in zones. In addition to supporting cities in the initiation of the first heat network project within the zone, AZP is also helping cities to define the strategic delivery plan for the overall zone.

On 25th October 2024, the Department of Energy Security & Net Zero announced that Plymouth had been further shortlisted as one of 6 towns and cities which will be supported further, to move to delivery and will become the first heat network zones.

Proposal: *(Provide a brief, concise paragraph outlining your scheme and explain how the business proposal will address the current situation above or take advantage of the business opportunity) and (What would happen if we didn't proceed with this scheme?)*

Through the AZP work, the city centre zone has been prioritised as the opportunity to start this zonal roll out with the largest scale and opportunity for significant carbon savings. With DESNZ support, proposals for this initial phase have been developed as a reference scheme to take to the market.

This initial phase of a zonal approach would utilise a large source of waste heat from the Cattedown SWW Central Plant to provide heating to a range of clusters of buildings in the Sutton Harbour, City Centre and Millbay areas, including the University of Plymouth, The Box, student housing, Arts University, Devon & Cornwall Police, PCH, the Pavilions, Moxy Hotel, Ballard House and the Civic Cluster. The appointed Development Partner would also commit to complete the existing Civic Centre district heating scheme already being developed by the City Council, as a strategic cluster. This phase of works would achieve anticipated carbon savings of 11,000tCO₂ per annum.

As part of the development agreement, Plymouth City Council (PCC) would identify in principle, relevant Council buildings, including The Box, Guildhall, Council House, Ballard House, Cobourg House, Central Library, and the Royal Building for connection to the heat network subject to commercial terms on heat tariff and connection costs. Plymouth City Council would also dedicate in principle, relevant Plymouth City Council assets, should the Development Partner require them, including existing heat network pipework in Millbay Boulevard, existing heat network pipework between the Council House, Guildhall and Plymouth Combined Courts, heat generation plant, primary pump sets, water treatment and ancillary equipment at Ballard House and Guildhall and relevant electrical infrastructure adjacent to the Council House, subject to subsidy control and subsequent agreement of commercial terms. This includes identifying further potential energy centre locations on Plymouth City Council land (top decks and adjoining land areas at Regent Street and Theatre Royal Car Parks/ Civic Centre) for use by the selected Development Partner, subject to subsidy control and subsequent agreement of commercial terms.

Plymouth City Council will also undertake to enter into a Pre-emption Agreement with the Cattedown Regeneration Ltd (with the right to assign to the selected Development Partner) on land for an Energy Centre at Neptune Park for an agreed fee of £15,000.

This Business Case notes that Cabinet (9 September 2024 – Minute 33) have already agreed the submission to the Government's Green Heat Network Fund for grant funding towards the first phase. This is anticipated to be for an application of up to £10 million of grant, including £1 million commercialisation grant.

The proposed network can provide heating and cooling to these buildings and other buildings as the network expands over subsequent phases. Waste heat will be distributed to clusters via a low temperature network, with temperatures upgraded as required at each cluster via water source heat pumps. This approach allows transfer of heat, utilising a variety of waste heat sources and delivery of heating and cooling to a range of buildings, providing a flexible and efficient piece of green infrastructure, enabling decarbonisation across the future zonal areas.

This scheme has also been tested through a financial model, which demonstrates potential viability sufficient to attract private sector partners.

Significant stakeholder engagement has also been undertaken both through the process of developing this business case, and the years preceding this as the zonal opportunity was being developed.

Market testing was completed on this opportunity in April/ May 2024, and demonstrated significant interest from a range of key industry players, who expressed their interest in the proposals and were very positive about the scale of opportunity.

Department of Energy Security & Net Zero are already directly supporting technical project development, project management, commercial and financial advice, through its AZP programme, to develop the proposals for the first phase of a strategic heat network, including supporting a grant application towards the costs of the first phase and procurement of a delivery partner.

Ring-fenced revenue funding has already been secured, covering the remaining Council project support costs with procurement and legal support. These are currently considered to be sufficient to cover the support needed up to the appointment of a development partner. The risk of any additional revenue costs being identified over and above this is considered to be very unlikely, and should this arise, would need to be secured from other agreed sources such as DESNZ or from the SP&I budget, by prior agreement from the Service Director for SP&I and Finance.

The proposals can be delivered without any requirement for Council capital funding. As the Council would not be deploying any capital funding for the delivery of the scheme, the financial risk is considered to be very low.

Social value will form an important part of the procurement objectives including addressing fuel poverty, jobs and skills training.

Why is this your preferred option: *(Provide a brief explanation why this option is preferred) and (Explain why this is a good capital investment and how this would be an advantage for the Council) and (explain how the preferred option is the right balance between the risks and benefits identified below).*

Ring-fenced revenue funding has already been secured, covering the remaining Council project support costs with procurement and legal support alongside significant DESNZ support already committed.

The proposals can be delivered without any requirement for Council capital funding. As the Council would not be deploying any capital funding for the delivery of the scheme, the financial risk is considered to be very low. The submission of an application for grant funding to the Green Heat Network Fund will support the first phase of development.

Cabinet (9 September 2024) have already agreed the submission to the Government's Green Heat Network Fund for grant funding towards the first phase. This is anticipated to be for an application of up to £10 million of grant.

Significant carbon savings from delivery of the scheme, by displacing natural gas, and utilising waste and renewable heat sources. Proposals for first phase suggest carbon savings of 11,000 tons per annum (against a gas counterfactual), and with build out of a strategic heat main in the southern waterfront zone this could increase to 26,000 tons per annum. An initial scheme within a Derriford zone, has been evaluated to deliver more than 5,000 tons per annum. In overall terms this is equivalent to 3% of Plymouth's current carbon emissions. With further development of these proposals and full zonal development this could be as high as 5%. The proposals will also improve air quality by displacing NOX emissions from gas boilers.

Cabinet endorsed the approach for delivery where Plymouth City Council would conduct a procurement for a Heat Network Development Partner.

Further analysis has been completed with legal and commercial support on the options using this approach, which include the Governance Agreement Model, the Golden Share Model and the Development Agreement only model (which relies on national regulations when enacted).

The preferred option is the Golden Share delivery model. Under the preferred delivery vehicle Plymouth City Council would seek to transfer the majority of risks to the private sector partner although the private sector partner would seek to further transfer risk to developers.

The commercial model should enable Plymouth City Council to meet its key objectives, as listed in the Cabinet Report and its desire for ongoing engagement.

The Golden Share. The Council's requirements would be captured in the shareholders agreement and the reserved matters. Typically, under a Golden Share arrangement the entity is seeking to ensure the integrity of the company as well as key operational aspects of the project are achieved. Where these requirements are not met the Council would seek remedy under corporate law rather than contract law.

The Council would have an observer seat at the board of the Joint Venture and as such provide full visibility of the company operations, as a long term and very significant scale project for the City.

A similar approach is also being used by Worthing Borough Council and Old Oak & Park Common Development Corporation in London for delivery of their heat network proposals.

Although there could be a conflict of interest if the Council were to undertake the role of Zone Coordinator under future zoning regulations, this can be managed in a similar way to other statutory functions (e.g. Local Planning Authority) with systems in place to avoid this.

Alternative options considered and rejected

1. **Development Agreement only** (e.g. South Westminster Area Network). Rejected due the risks of lack of long term influence over a range of issues, especially those not directly covered by the new legislation, when this is confirmed (e.g. social value).
2. **Governance Agreement** (e.g. Sunderland). Although similar in some respects to the Golden Share approach, but instead relying on contract law, this was rejected as it offered less transparency. This approach also couldn't take advantage of the government templates available, reducing potential risks, time and cost.

Option Analysis: *(Provide an analysis of 'other' options which were considered and discounted, the options considered must be a 'do Nothing' and 'do minimum' and 'viable alternative' options. A SWOT – Strength, Benefit, Opportunity, Threat analysis could be attached as an appendix).*

Do Nothing Option	Leave to Government and private sector under new legislation. Do not apply for Government grant towards the initial phase of development.
List Benefits:	Low impact on Council resources.
List Risk / Issues:	Limits influence on delivery, social value or costs. Could take significant time as market looking for certainty and without a competitive process this could introduce uncertainty. Lost momentum and funding support from Government- could cease further development of the heat network in Plymouth and result in the City Council missing carbon targets.
Cost:	NIL
Why did you discount this option	Limits influence on delivery, social value or costs. Could take significant time as market looking for certainty and without a competitive process this could introduce uncertainty, and risks of lost momentum and funding support from Government. Could set back heat network roll out for a significant time.
Do Minimum Option	
	Development Agreement Only Model (apply for Government grant towards initial phase).
List Benefits:	Low impact on Council resources. Creates more certainty for market with a competitive process. Greater momentum and potential funding support from Government- earlier roll out.
List Risk / Issues:	Limits influence on delivery, social value or costs and less transparency.
Cost:	NIL
Why did you discount this option	Limits influence on delivery, social value or costs and less transparency.
Viable Alternative Option	
	Governance Agreement Model (apply for Government grant towards initial phase).
List Benefits:	Maximises influence on delivery, social value or costs. Creates more certainty for market with a competitive process. Greater momentum and potential funding support from Government- earlier roll out.
List Risk / Issues:	Government templates not available for this option, delaying timescales, risk that doesn't fully align with government approach, and potential additional revenue costs.
Cost:	NIL
Why did you discount this option	Less transparency. Government templates not available for this option, delaying timescales, risk that doesn't fully align with government approach, and potential additional revenue costs.

Strategic Case:	
Which Corporate Plan priorities does this project deliver?	a green sustainable city that cares about the environment
	quality jobs and valuable skills
	economic growth that benefits as many people as possible

Milestones and Date:		
Contract Award Date	Start On Site Date	Completion Date
August 2025	May 2026	Phase I 2028 first completions.

SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS					
Risk Register: <i>The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).</i>					
Potential Risks Identified			Likelihood	Impact	Overall Rating
Risk	Failure to attract a suitable development partner or potential partners withdraw from the procurement opportunity/process.		Medium	High	Medium
Mitigation	Market testing already completed earlier in the year yielded a good response. Bidders Day is planned in advance of a tender launch to further warm up the market. Part of AZP government programme with focus on certain cities including Plymouth and warming up market. Reference scheme for initial phase significantly derisked through government support and tested for viability.		Low	Medium	Low
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	City Council		
Risk	The Council is unsuccessful in securing Green Heat Network Fund construction grant funding and/or insufficient grant funding available.		Low	Medium	Medium
Mitigation	GHNF application prepared in liaison with funders advisers and in line with grant metrics and criteria achieved by recent successful applications. If unsuccessful, will need to review the approach going forward and may require a fresh application if fund extended.		Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	Plymouth City Council / Development Partner		
Risk	Lack of agreement with heat offtakers or escalation of costs making scheme unviable.		Medium	High	Medium
Mitigation	Significant upfront stakeholder engagement completed and ongoing. Financial modelling based on current costs, with contingency and potential headroom for some cost increases.		Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	Development Partner		
Risk	GHNF commercialisation grant is not secured, therefore the City Council potentially liable for some Development Partner commercialisation costs at the final decision gateway, in the unlikely event that the City Council exerts its right not to proceed with the project.		Low	Medium	Low
Mitigation	Plymouth City Council expects to be notified about the success of its grant application before the conclusion of the tender for the Development Partner. Therefore measures will be put in place in tender documents whereby the Council will reserve the right to not award the contract, should the		Low	Low	Low

	GHNF grant not be secured (or other funding identified), thereby avoiding the risk of any costs being incurred during the commercialisation stage, since the project would not progress to it.				
Calculated risk value in £ (Extent of financial risk)	£TBC	Risk Owner	City Council		
Risk	Heat network zoning regulations delayed or not introduced by government, exposing Plymouth City Council to potential risks.		Low	Medium	Low
Mitigation	Ofgem currently consulting on new regulations and have suggested these will come into effect in 2025. These regulations will ensure continuity of supply should for example, the entity goes bust, in a similar way to the electricity market. PCC will not be obligated to step in through the delivery vehicle, should this happen.		Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0	Risk Owner	City Council		

Outcomes and Benefits

List the outcomes and benefits expected from this project.

(An **outcome** is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome)

(A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)

Financial outcomes and benefits:

The proposals for the initial phase of the heat network have been tested financially, which suggests this is a viable scheme, which should be sufficient to attract the private sector.
No City Council capital required.
Limited revenue funding required for procurement and engagement in proposal, using ring fenced secured funding up the appointment of Development Partner.
City Council buildings connected – tariff and connection costs to be determined through procurement.
Potential rental income through lease of City Council land for energy centres in several locations.
Potential value from transferring City Council assets with reduced maintenance / replacement liabilities.

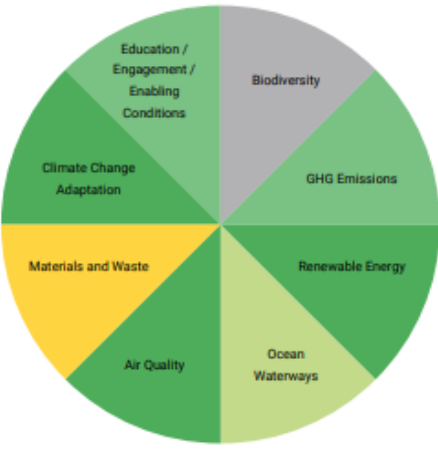
Non-financial outcomes and benefits:

Reducing the cities carbon emissions – reference first phase 11,000tCO₂/ annum. Across both zones with significant build out over 31,000tCO₂/ annum.
Energy security, with variety of more stable local waste and renewable heat sources.
Air quality improvements by displacing NOX emissions from gas boilers.
Mitigation of fuel poverty.
Green investment (anticipated over £400m across both zones), and associated jobs and skills.
Proposed approach able to provide cooling and is therefore climate resilient.

SECTION 3: CONSULTATION

Does this business case need to go to CMT	No	Date business case approved by CMT (if required)	
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Climate Impact Assessment

<p>Upload Climate Impact Wheel</p>	
<p>Summary of the anticipated impact of the proposal on the climate (including any proposed mitigations and impacts beyond 2030)</p>	<p>Significant carbon savings from delivery of the scheme, by displacing natural gas, and utilising waste and renewable heat sources. Proposals for first phase suggest carbon savings of 11,000 tons per annum, and with build out of a strategic heat main in the southern waterfront zone this could increase to 26,000 tons per annum. An initial scheme within a Derriford zone, has been evaluated to deliver more than 5,000 tons per annum. In overall terms this is equivalent to 3% of Plymouth’s current carbon emissions. With further development of these proposals and full zonal development this could be as high as 5%. The proposals will also improve air quality by displacing NOX emissions from gas boilers.</p>

<p>Have you engaged with Procurement Service?</p>		<p>Yes</p>
<p>Procurement route options considered for goods, services or works</p>	<p>It is expected that in February 2025 new procurement regulations, come to life. It will considerably change procurement landscape, processes and procedures applicable to tenders, contract management and contract completion.</p> <p>Although the value of this business case is for £164k, which is the cost of delivering this tender, the total value of this project in procurement terms will be much higher and over the threshold. Therefore, it is likely that this tender will be subject to the full force of the new Procurement Act 2023. The procedure that is likely to be used will be a flexible procedure.</p> <p>New Procurement Act 2023 – Flexible Procedure This procedure allows the Council to design its own procurement process. It is likely that it will resemble a Competitive Procedure with Negotiation, or a Competitive Dialogue under the existing regulations. It will be a two-stage process. Stage 1 – being a pre-selection stage and Stage 2 – a dialogue stage. Prior to a tender launch, the Council will decide on the number of dialogues within Stage 2 while the tender is developed and more details and requirements come to light.</p> <p>Public Contract Regulations 2015 If a commencement of the new regulations is delayed, the tender will be subject to the existing Public Contract Regulations 2015. At present two procedures are being considered: A Competitive Dialogue (CD) and a Competitive Procedure with Negotiation (CPN).</p>	

	<p>CD and CPN are two specific legislative procurement routes which allow the Council to hold dialogue and/or negotiations with bidders on various aspects of the procurement. These procedures are the recommended routes for complex outsourcing projects with the need from The Council and suppliers bidding for the opportunity to dialogue and/or negotiate due to the significant risk both for the Council, suppliers and their supply chains. Both procedures offer significant and clear benefits, in particular, enabling risk and assumptions to be thoroughly tested, solutions to evolve and the foundations established for ensuring a successful contractual outcome and ongoing relationship for all parties and stakeholders.</p> <ul style="list-style-type: none"> • Dialogue (CD) refers to the discussion between the Council and bidders to discuss any aspect of the procurement, e.g. the service requirements or proposed solution. • Negotiation (CNP) is the discussion between the Council and bidder with a view to improving the content of tenders e.g. performance issues. <p>Either of the three above solutions, whether under the new Procurement Act 2023 or the PCR 2015 is needed due to:</p> <ul style="list-style-type: none"> • No off-the-shelf procedure being available. • Readily available procedures would need adapting to meet requirements. • The solution involves an innovative approach to reflect changing conditions and/or methods of delivery. • Complex legal, contractual and/or financial framework. • There are multiple stakeholders. • The delivery of the specified outcomes is reliant on outside factors. • The delivery is dependent on the deployment of more than one technical or service or solution, resulting in operational risk.
<p>Procurements Recommended route.</p>	<p>It is envisaged that this opportunity will be delivered under the new Procurement Act 2023 and therefore the Flexible Procedure is likely to be used to deliver this project.</p> <p>The procedure will allow:</p> <ul style="list-style-type: none"> • A discussion between the Council and bidders on any aspect of procurement • The Council to have the final tenders to be clarified, specified and optimised • Negotiations on the winning tender to confirm financial commitments or other terms. <p>The recommended procedure will be reviewed and is subject to change, should circumstances change.</p>
<p>Who is your Procurement Lead?</p>	<p>Gosia Anthony, Category Lead for FM</p>
<p>Is this business case a purchase of a commercial property?</p>	<p>No</p>
<p>If yes then provide evidence to show that it is not 'primarily for yield'</p>	

Which Members have you engaged with and how have they been consulted <i>(including the Leader, Portfolio Holders and Ward Members)</i>	Cabinet 9 September 2024 Natural Infrastructure & Growth Scrutiny Panel 29 October 2024 Sustainability Advisory Group 23 October 2024
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Confirm you have taken necessary Legal advice, is this proposal State Aid compliant, if yes please explain why.	
Who is your Legal advisor you have consulted with?	Julie Parkin

Equalities Impact Assessment completed <i>(This is a working document which should inform the project throughout its development. The final version will need to be submitted with your Executive Decision)</i>	Yes
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SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT: *In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole. Exact amounts only throughout the paper - not to be rounded.*

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	Prev. Yr. £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. £	Total £
Total capital spend								

Provide details of proposed funding: Funding to match with Project Value

Breakdown of proposed funding	Prev. Yr. £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. £	Total £
Total funding								

S106 or CIL (Provide Planning App or site numbers)	
Which alternative external funding sources been explored	
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	
Tax and VAT implications	
Tax and VAT reviewed by	
Will this project deliver capital receipts? (If so please provide details)	

REVENUE COSTS AND IMPLICATIONS

Cost of Developing the Capital Project (To be incurred at risk to Service area)

Total Cost of developing the project	£164,000
Revenue cost code for the development costs	5647/8438
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	N
Budget Managers Name	Emma White

Ongoing Revenue Implications for Service Area

	Prev. Yr.	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs.
Service area revenue cost			£59,000	£85,000	£20,000		
Other (eg: maintenance, utilities, etc)							
Loan repayment (terms agreed with Treasury Management)							
Total Revenue Cost (A)	0	0	£59,000	£85,000	£20,000	0	0

Service area revenue benefits/savings							
Annual revenue income (eg: rents, etc)							
Total Revenue Income (B)		0	0	0	0	0	0
Service area net (benefit) cost (B-A)		0	0	£59,000	£85,000	£20,000	0
Has the revenue cost been budgeted for or would this make a revenue pressure		Revenue costs utilising ring-fenced and secured grant funding.					
Which cost centre would the revenue pressure be shown		5647/8438		Has this been reviewed by the budget manager		Y/N	
Name of budget manager		Emma White					
Loan value	£	Interest Rate	%	Term Years		Annual Repayment	£
Revenue code for annual repayments							
Service area or corporate borrowing							
Revenue implications reviewed by							

Version Control: (The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)

Author of Business Case	Date	Document Version	Reviewed By	Date
	00/00/2020	v 1.0		00/00/2020
	00/00/2020	v 2.0		00/00/2020
	00/00/2020	v 3.0		00/00/2020
	00/00/2020	v 4.0		00/00/2020
	00/00/2020	v 5.0		00/00/2020


SECTION 5: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Service Director SP&I:

- Approves this Business Case
- Authorises the procurement process for a Heat Network Development Partner on basis of a Golden Share model.

[Name, Portfolio]		Service Director	
Either email dated:	<i>date</i>	Either email dated:	<i>date</i>

Or signed:	Signed: 
Date:	Date: 19.12.24